



Minister for Small Business

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Dear s47F

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Internationally these forms of virtual currency have been the subject of increasing scrutiny by regulatory authorities and law enforcement agencies.

As you would be aware, Bitcoin is a virtual currency, which unlike a traditional electronic payments system, does not require a third-party intermediary such as a central bank or financial institution, to facilitate transactions. Although Bitcoin has legitimate uses, there are concerns over its use in criminal activity such as money laundering and the trade of illicit goods such as drugs and firearms.

The high degree of anonymity associated with these transactions has also meant that these currencies may be attractive to illegal activity. Like cash and the other mediums of exchange such as gold, certain properties of virtual currency like Bitcoin can provide incentives for its use in illicit transactions as all these mediums of exchange do not require an intermediary in the transaction. Therefore, it is more challenging for law enforcement agencies to link these transactions to an individual.

While the use of Bitcoin is not illegal in Australia, the Australian Transaction Reports and Analysis Centre (AUSTRAC) is responsible for protecting the integrity of the financial system and contributing to the administration of justice through its expertise in countering illicit transactions. Australia's Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) regulations provide a robust framework, based on international standards, for reporting and tracking potentially illicit transactions.

However, new payments methods such as Bitcoin will need to be considered in the context of potential future changes to the AML/CTF framework. The Attorney-General's Department is currently reviewing the framework. Given the importance of this emerging issue, I will raise the treatment of Bitcoin under the AML/CTF framework with my colleague, the Attorney-General, Senator the Hon George Brandis QC, who is responsible for the administration of these regulations.

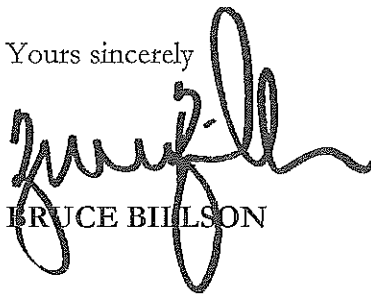
I understand these currencies are being monitored by other Government agencies such as the Australian Securities and Investments Commission as the corporate, markets and financial services regulator and the Australian Taxation Office from a taxation perspective. The Australian Crime Commission, a statutory authority established to combat serious and organised crime, has also taken an interest in Bitcoin and other digital currencies to inform Australia's response to their potential criminal use.

I am also aware that virtual marketplaces for illicit goods, including drugs, may use currency such as Bitcoin. This new avenue of drug supply brings with it challenges for law enforcement agencies as the broader illicit drug market is becoming increasingly complex with a vast array of substances available.

In addition to combating traditional drugs such as heroin and cocaine, the Government is strongly committed to addressing the availability of synthetic drugs, such as synthetic cannabis and synthetic cocaine, which have the capacity to seriously impact on the health of Australians. A national interim ban was imposed under the Australian Consumer Law last year as a timely and effective 'stop gap' measure to ensure that all state and territory drug laws were updated to capture goods containing certain synthetic drug substances. All states and territories now have the necessary legislation in place to ensure that these harmful and dangerous substances are removed from our community and can be appropriately dealt with by state and territory law enforcement agencies.

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Yours sincerely

A handwritten signature in black ink, appearing to read 'Bruce Billson', written in a cursive style.

BRUCE BILLSON